Henderson
Address on finance, coinage and currency at Louisiana, Mo. Oct 29 1895

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OF

Hon. JOHN B. HENDERSON,

AT

LOUISIANA, MO., OCTOBER 29, 1895,

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Fellow-Citizens: I appreciate the compliment, that the friends of my early life, irrespective of party associations, have asked a public expression of my views on the financial condition of the country. I have consented to address you, with a full knowledge of my inability to do justice to the subject. I shall trust, however, to your uniform kindness to receive with indulgence what, with so inadequate a preparation, must fall short of your wishes.

There are so many facts connected with our laws of coinage and currency, and so many other facts connected with our financial and commercial history, that even a bare reference to half of them is impossible within the limits of a public speech.

If in the beginning I quote two or three lines from the federal constitution, you must not suppose that I intend to vex you with constitutional constructions. Fortunately the words explain themselves:

> "The Congress shall have power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

This is all that is said on the subject of coinage in our constitution except the prohibitive clause against state coinage, to

which I shall refer in a moment. It delegates, of course, to Congress the exclusive power to "coin money;" not to coin it out of gold and silver, as so commonly understood, but to coin it out of any metal that either the wisdom or the ignorance of Congress may select for the purpose. In late years much has been said about the "coin," the "currency," or the "metal" of the constitution. Is not the authority to coin iron, or zinc, or lead, equally clear as to coin gold or silver? Indeed, the first coinage act of the nation, adopted in 1792, provided for the coinage of copper; and copper coins are still authorized, and a legal tender for small amounts. Nickel has also been largely coined under the authority of Congress, and such coins are abundantly used by us in the payment of the small sums for which they are made a legal tender. I therefore assert that, so far as the power "to coin money" is concerned, nickel and copper are as clearly the "money of the constitution" as gold and silver. And neither of them is any more so than would be iron, zinc, or lead, if authorized by Congress.

It is true that the framers of the constitution, remembering the then recent sad experiences of the country with paper money, issued by the several colonies, and especially with that issued by the Continental Congress, provided that "no state shall coin money," or "emit bills of credit" or "make anything but gold and silver coin a tender in payment of debts."

This is simply a denial of a dangerous power to the separate states, which possibly, becoming indebted to other states, might coin worthless money, and with it wipe out their obligations. It was thought best to leave the power of coining and fixing the value of the money coined with Congress, where all the states and all the people, both debtors and creditors, were to be represented. And, again, you will perceive that but for this prohibition any one of the states might possibly have claimed the right to make the foreign coins imported or the subsidiary coins of copper or nickel a full legal tender for public or private indebtedness.

It is perfectly certain that the framers of the constitution expected Congress to authorize the coinage of gold and silver. These two metals, at that time, had well-defined commercial and fixed values, and these commercial values had been so uniform,

for over a century, as to justify the nations of Europe to fix their relative values in coinage laws and to make them interchangeably a legal tender in the payment of debts.

The Coinage Act of 1792.

When our Congress came to frame its first coinage law, during the presidency of General Washington, Alexander Hamilton was Secretary of the Treasury, with deservedly great reputation as a financier. This very question of the relative value of gold and silver bullion had to be met at the threshold of this legislation, and the advice of Mr. Hamilton was sought by the Congress, and obtained after his views had been submitted to Mr. Jefferson, who was then Secretary of State.

In Mr. Hamilton's report the following language occurs:

"As long as gold, either from its intrinsic superiority as a metal, from its greater rarity, or from the prejudices of mankind, retains so considerable a pre-eminence in value over silver as it has hitherto had, a natural consequence of this seems to be that its condition will remain more stationary. The revolutions, therefore, which may take place in the comparative value of gold and silver will be changes in the state of the latter, rather than in that of the former. But, upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals, because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of mere merchandise, which accordingly, at different times, has been proposed from different and very respectable quarters, but which would probably be a greater evil than occasional variations in this unit from the fluctuations in the relative values of the metals, especially if care be taken to regulate the proportion between them, with an eye to their average commercial value. The conclusion to be drawn from the observations which have been made on the subject is this, that the unit in the coins of the United States ought to correspond with twenty-four grains and three-quarters of a grain of pure gold, and with 371 grains and one-quarter of a grain of pure silver, each answering to a dollar in the money of account."

Mr. Jefferson's endorsement of the report, as regards unit and relative value of the metals, contains the following words:

"I return you the report on the mint, which I have read over with a great deal of satisfaction. I concur with you in thinking

that the unit must stand on both metals; that the alloy should be the same in both; also, in the proportion you establish between the value of the two metals."

The ratio of 15 to 1 between the metals, as thus recommended by Mr. Hamilton, was accepted by Congress and enacted into the coinage act of April 2, 1792.

The contemporaneous history of legislation always furnishes the best rule of construction; and in this case the history accords with the letter and evident spirit of the constitution. It will be observed that Mr. Hamilton expressly repudiates the idea of making either metal the unit of value, and the reason given is that if one should be fixed as the unit, a change in commercial value might demonetize one or the other and convert its condition into that of "mere merchandise." He admits the difficulty of having a double unit necessarily arising "from fluctuations in the relative values of the metals;" but he says that difficulty can be obviated "if care be taken to regulate the proportion between them with an eye to their average commercial value." And Mr. Jefferson unreservedly endorsed the report, and expressly says, "I concur with you in thinking that the unit must stand on both metals."

And on the question of ratio he said, "it is a mercantile problem altogether;" and again he said, "just principles will lead us to disregard legal proportions altogether; to inquire into the market price of gold in the several countries with which we shall be principally connected with commerce, and to take an average from them." From this the necessary conclusion is, that if in the future the commercial values of the two metals should change, the coinage ratio must also be changed by law, in order to preserve the equality of the unit, because, otherwise, the metal coined and stamped at less than its commercial value would necessarily be driven out of circulation.

At the time this act was passed, 15 pounds of silver were not worth, commercially, as much as one pound of gold. The ratio in Europe at that time, both for commercial and coinage purposes, was about 15½ to 1. Hence the mistake of our Congress. Nobody would take gold to the mint to be coined on a par with silver at the ratio of 1 to 15. Anybody could sell his gold bullion for enough silver to make a silver dollar and have several

cents left for profit. Gold being worth more in bullion than in coin, it passed away to those countries which held that gold was worth at least 15½ to 1 of silver.

Coinage Acts oe 1834 and 1837.

Silver, being worth more in coins than in bullion, remained as the money of the country and constituted our currency until the coinage acts of 1834 and 1837, which changed the ratio from 15 to 1, to 15.98 to 1—usually termed 16 to 1—our present ratio. The sole motive for passing these latter acts was to encourage the importation and coinage of gold. The persistent advocacy of these acts by Col. Benton gave him the well-remembered *sobriquet* of "Old Bullion." Silver was by this legislation undervalued, and gold was overvalued—that is, silver was worth more in bullion than in coin; and hence, before 1853, there were but few silver coins of our own mintage left in the country. To those engaged in business at this latter date, it will be well remembered that the Mexican and Spanish dollars, and the five-franc pieces of France, constituted substantially our entire silver currency. Less than four million dollar pieces had then been coined by our Government; and, strange to say, less than 77 millions of fractional silver—halves, quarters, dimes, and five-cent pieces—had been coined up to that date. But all this fractional silver, coined before 1853, possessing as it did the same value proportionally as the silver dollar itself, had likewise disappeared from circulation.

It was the slight undervaluation of silver in the acts of 1834 and 1837 which caused it to disappear from circulation. It was cheaper to buy silver in the coin than in the bullion. Hence the silver coins were used by the silversmiths in the arts in preference to bullion. And many of these coins were sent abroad where 15½ of them were worth as much in gold as 16 of them were worth in the United States. This country was left without silver money, usually called "change," and in order to remove this inconvenience came the coinage act of 1853.

Coinage Act of 1853.

That act was passed by a Congress democratic in both houses, and it was designed and intended to demonetize silver as a legal

tender currency. The only silver coins specially provided for by the act were half dollars, quarter dollars, dimes, and half dimes. The half dollar was reduced in value from $206\frac{1}{4}$ grains of standard silver, as provided by the previous coinage laws, to 192 grains, and the other coins named were proportionally reduced in value. The second section of the law enacted that the silver coins thus provided for should only be a legal tender for sums not exceeding five dollars. Up to that date less than 4 millions of standard silver dollars had been coined in the United States, and scarcely one of them was then to be seen in circulation. The few remaining are now purchased as curios at a large price.

The avowed object of this act was to so cheapen our silver currency as to keep it in the country. We needed it only to make change in small transactions. The half dollar as thus coined was worth only 47 cents, and two halves, or four quarters, or ten dimes were worth only 94 cents. Fractional silver from 1792 down to this date had been by law a full tender for debt. It was now reduced in value to the extent of six per cent. below the par of gold, and the law-makers of 1853 refrained from forcing it upon the people as the money of commerce. The law-makers of to-day make it a lawful tender though depreciated 50 per cent.

It was recognized and admitted in the reports of the committees, and also in the debates of Congress, that the few thousand silver dollars and also the seventy-nine millions of fractional silver previously coined had substantially disappeared from circulation.

Experience had demonstrated to the men of that day the utter impracticability of a double standard of value. A mistake of a few cents in the commercial value of silver in 1792 had expelled gold from the country and given us an exclusive silver currency down to 1834. A similar mistake on the other side, made at the latter date, had now driven silver from circulation and threatened to deprive us even of the smaller fractional coins necessary to the convenient transaction of business. This act of 1853 was intended as a total abandonment of the double-standard theory. It was a bold and intelligent piece of legislation, projected on lines of patriotic statesmanship. The men of 1853 were able to grasp the necessities of the occasion. They understood the

disease and applied the remedy. They saw the difficulties in the way of the country's prosperity and proceeded promptly to remove them. There was no one then to set up altars for the worship of the dead and unprofitable past. No one then went upon the public streets and cried aloud for the "dollar of the daddies." Antiquity, especially antiquity allied to regrets and failures, had no claims upon them. With them consistency in error was not accepted as statesmanship. The path of duty was plain, and the country was placed by the act of 1853 upon the single, gold standard. The fact, indeed, already existed, and had existed since 1834. But the fact was now crystallized into law.

The whole purpose of the act was well expressed by the chairman of the House Committee of Ways and Means, when he said, "We intend to do what the best writers on political economy have approved; what experience, where the experiment has been tried, has demonstrated to be necessary and proper—to make but one standard of currency, and to make all others subservient to it. We mean to make gold the standard coin, and to make these new silver coins applicable and convenient, not for large but for small transactions."

I shall not trouble you with historical or statistical facts in order to demonstrate the beneficial results of the act of 1853. I content myself with merely calling to the witness-stand the many business men of that day whom I recognize in this audience. The period from the spring of 1853 to the autumn of 1857 must forever stand as one of the brightest in American prosperity. In the nine years intervening between 1853 and 1861, inclusive, over 308 million dollars of gold were coined at our mints, largely more than had then been coined in all our past history. The farmers sold their wheat at the flouring mills in this town in 1854, '5, and '6 at prices ranging from $1.75 to $2.50 per bushel, and received payment in gold coin. This was really the beginning of our growth as a rich, prosperous, and self-reliant nation. At last we had come upon the road of safety in national progress—a single standard of gold—with abundant subsidiary coins of silver and other metals to answer all the requirements of business. If the subsidiary coins are made legal tender for only small amounts, five or ten dollars, they will never be used to

excess. The exigencies of business, depending upon the amount and the activity of commercial exchanges, will always demand such coins. And they must be supplied by the Government under its sovereign power to coin money. With limited legal-tender privilege they cannot displace the better currency, and they cannot be held in circulation beyond the legitimate purpose and design of their creation.

This is the precise policy adopted by England in 1816, after many years of suffering and failure; and this is the policy which has made London the market-place of the world, and Great Britain the richest nation of all time and of all ages.

I do not forget our short-lived panic in the fall of 1857. It was occasioned by fraudulent issues of paper currency made by local banks; and the evils would have been more lasting and severe but for the coinage laws of 1853. The gold had not been entirely driven away and the country soon recovered. The year 1859 was fairly prosperous, and 1860 has always been referred to as the year in which all the elements of American prosperity were in full but conservative vigor and activity.

Just as we had cast aside the depreciated and worthless state bank paper, and thus removed the last obstacle in the way of commercial and financial success as a nation, the civil war—that "direful spring of woes unnumbered"—cast its frightful shadows over the land. We had just started on the right course, but seven years were not sufficient to accumulate the necessary gold for the conduct of the most gigantic struggle of modern times.

The Greenback Act of 1862.

On February 25, 1862, we felt constrained to throw ourselves upon the credit of the nation, because, unfortunately, all other credits seemed worthless in the face of a war threatening to destroy all values, if not all property. No legislation was ever more reluctantly passed than the greenback act of 1862. I, like others, gave it an unwilling assent. It was finally accepted as a choice between its admitted evils and the still greater evils of a disrupted union.

Great armies had to be levied, armed, clothed, transported, and fed; and navies had to be built and equipped at enormous cost. The occupations of peace were abandoned. Our fields

and work-shops had lost their laborers. Nothing was produced by us for exportation. Our commerce furnished no credits abroad, and credits at home had but little value. In the midst of a war, costing from two to three million dollars per day, it was thought that nothing less than the combined wealth of the nation, based on the loyalty and patriotism of its citizens, could furnish the amount of circulation equal to its requirements.

The policy of that legislation, as you know, is yet in dispute. It is quite certain that those who framed and passed it hoped and believed that the larger part of the greenbacks would very soon be funded into the 5–20 bonds, as then provided by law, and that the remainder would be gradually redeemed and cancelled on the return of peace.

The history of these notes is known to you all. They became depreciated in value; at one time reduced in value to 40 cents on the dollar; but, being a legal tender in payment of debts, they gradually drove out the better currency, and finally became the sole medium of exchange. Under that invariable and inexorable law, that the legal tender currency, having the least commercial value, will eventually displace the better currency, gold disappeared from circulation, and all values were measured by the depreciated greenbacks. Silver itself, though not a legal tender, except for small amounts, by reason of its superior commercial value, was gradually expelled, and its place supplied by fractional notes of 50 cents and less.

The Money Panic of 1873.

The war closed in 1866, but the evils of a depreciated currency continued until the fall of 1873, when suddenly the country was plunged into a monetary panic equal in all its dreadful effects to that of 1837. These two panics were alike in their causes and in their results. Depreciated state bank paper brought on that of 1837. Depreciated greenbacks (government notes) brought on that of 1873. In each case the money of greater value had been expelled by an inferior currency.

In this downward course to insolvency, the delusions of imaginary wealth, producing fictitious prices at home, held out the usual dangerous temptations to import foreign goods. The expenditure of a gold dollar in Europe gave flattering hope that

two dollars in greenbacks could be realized for it at home. As long as the gold dollar could be found, therefore, it went abroad, because it paid only a dollar if retained at home, and it seemed to be doubled by exportation. This reckless thirst for gain is perhaps akin to that speculative spirit which dwells in the mining camp and haunts the grain pits and the stock exchanges. Boundless wealth is always in sight, but, like the rainbow, can never be reached.

In my letter to Mr. Carlisle, the present Secretary of the Treasury, in July, 1893, will be found what I regard as the true statistical facts connected with the panic of 1873. I then said:

> "The panic of 1873 was, without doubt, the direct result of speculation and overtrading, induced by the greenback era, beginning in 1862–'63. Between 1863 and 1873, both inclusive, the balance of foreign trade against us was $1,086,440,587—that is, we imported into this country during these eleven years, over and above our exports of merchandise, this enormous sum of over one thousand million dollars. The balance against us was equal to 13⅛ per cent. per annum on our total commerce. It began in 1863 by an excess of imports over exports of 39 million dollars, and ended by an excess in 1872 of 182 millions, and in 1873 of 119 millions. This long and steady drainage, lasting, without a single intermission, for eleven years, brought its legitimate fruit—a loss of a large part of the nation's wealth, and, with it, the country's entire stock of gold. The only currency left us was the greenback and the national bank note, which latter, being redeemable in lawful money of the United States, could not acquire any higher value than the greenback itself. When we reflect that from 1863 to 1873 our exports of gold and silver coin and bullion exceeded our imports nearly 647 million dollars, it is not at all remarkable that the panic, beginning in the latter year, continued so long and produced so much suffering."

The true statesmen of 1873 had already foreseen the inevitable result; and, by the coinage act of February 12th of that year, they began the work of reformation. This was the first move, after the war, towards a sound currency—a return to the democratic legislation of 1853. It was recognized by business men that existing conditions could not last. Confidence was shaken, prices had declined, and commerce and trade in all their departments stood paralyzed in the presence of the impending storm.

The Act of 1873.

This was wise legislation, passed without opposition and full of wholesome promise for future prosperity. When the panic had come and the glittering but hollow bubble of a depreciated currency had once more exploded and left its worshippers in confusion and poverty, the resumption act of January 14, 1875, was passed, pledging specie payments on and after January 1, 1879, and making provision for the redemption and cancellation of the government notes.

The effect of this act was almost magical in its operation. The balances of trade were immediately reversed. In 1876, the first year after its passage, we exported over 79 millions more of merchandise than we imported. In the year 1877 the excess was over 151 millions. For 1878 it was nearly 258 millions. For 1879 it was 264 millions. The net balance of trade in our favor from 1876 to 1892 amounted to 1,893 million dollars.

If the legislation of 1873 and 1875 looking to the permanent establishment of a gold standard of value had remained on the statute-books unimpaired, it is safe to assume that the gold circulation of this country to-day would be not less than 1,500 million dollars.

But these happy results were not to follow. In the great struggle by the enemies of specie resumption, between 1875 and 1879, to repeal the resumption act before it should take effect, all the financial heresies proclaimed in the time of John Law, the South Sea delusion, the fiat money craze of our own American revolution, and during the boundless issues of the more recent Southern Confederacy, were revived and urged with more than apostolic zeal. Assaults were again made upon the fears of the timid, and temptations were offered to the cupidity of the dishonest.

Bland-Allison Act Passed.

On February 28, 1878, with prosperity already dawning upon us, the Bland-Allison act was passed "to authorize the coinage of the standard silver dollar and to restore its legal-tender character." If the avowed object of this act had been to fill the channels of trade with depreciated currency, it would, of course, have found no favor. If it had been to issue additional United

States notes, it would have been promptly rejected. Depreciated paper had been tried and condemned. The pretext, however, was to restore the falling value of silver, and once more to place it by the side of gold as a part of our redemption money. It must be remembered that silver had been, for good reasons, fully demonetized by us as a legal-tender medium of exchange since 1853; and the present legislation was erroneously based on the idea that silver dollars, of gold value, could be substituted for depreciated paper. In all our history, only 8 millions of silver dollars had now been coined, and even they had long since disappeared from circulation. The great error consisted in the ignorance or disregard of the causes producing the decline in the value of silver. The truth is, that its production exceeded the demand for its use. The nations of Europe were dropping it from their coinage laws, for two reasons: *first*, because they already had in circulation as much silver as the requirements of business demanded, and, *second*, because it was believed that no amount of coinage would arrest its further decline, and that its certain depreciation would debase and overthrow their currency systems.

This act directed the Secretary of the Treasury to purchase monthly not less than two nor more than four million dollars worth of silver bullion, to be immediately coined into silver dollars of 412½ grains of standard silver—that is, 371¼ grains of fine metal; and these dollars, when so coined, were made a legal tender for all debts, public and private. This and subsequent acts enabled the holder of this silver to deposit it with the treasurer or the assistant treasurers of the United States, and to receive therefor certificates which were made receivable for customs, taxes, and all public dues.

Anticipations not Realized.

The fond anticipations indulged by the friends of this measure were not realized. Instead of restoring silver to its old value of 16 to 1 with gold, it rapidly declined until the silver dollar was worth less than fifty cents. Before the channels of business became gorged by this depreciated silver, we had already imported over two hundred and sixty millions of gold. In 1888 the nations of Europe with which we held, in the language of Mr. Jefferson,

the most intimate commercial relations, became thorougly convinced that the United States was rapidly tending towards a silver standard. Fearing that we would redeem in depreciated silver the securities held by them, they began to throw them back upon the American markets; and between 1889 and 1895 all the imports of gold of the preceding thirteen years had to be reexported. In 1890 we had already coined more than 378 millions of these silver dollars, and the painful fact was now apparent that a depreciated metallic currency is fully as vicious and injurious as depreciated paper.

In the execution of the act of 1878, the Secretaries of the Treasury, in their discretion, had wisely limited the actual coinage to two million dollars per month. But this was enough, and more than enough, to displace the gold circulation. As depreciated money expels the better currency, the vacuum must be filled by new issues until they shall have reached the amount of the good and the bad combined. And when this dangerous point is reached, the currency depreciation is reflected in increased prices of property, and this fact, unfortunately, creates the necessity for additional issues. The effect is well illustrated in the issues of the colonial congress, when near the close of the American revolution, with issues equalling about eighty dollars *per capita*, it took not less than fifty dollars to buy a breakfast, and two hundred and fifty dollars to purchase a pair of shoes. Like indulgence in alcohol, each draught furnishes the thirst and seeming necessity for another.

Sherman Act of 1890.

In order to increase these issues, the act of July 14, 1890, was passed, usually called the Sherman act. This act was intended by the friends of silver to serve a double purpose:—first, to give a market to the entire silver product of the American mines, and, second, to increase to four and a half millions per month, the volume of depreciated money. It imperatively required the purchase of four and a half million ounces of silver per month, for which treasury notes were to be at once issued and forced into circulation. The notes were made a legal tender for debts, public and private, and the government officials were required to reissue them when paid into the treasury. Under this act 168

million ounces of silver bullion were purchased, for which 156 million dollars more of treasury notes were issued. These two acts, prior to the repeal of the Sherman act in November, 1893, had placed in circulation 575 million dollars of silver and silver certificates, resulting in the displacement of an equal or greater amount of better money, creating distrust, and bringing upon the country the great panic of 1893.

The second section of the Sherman act of 1890 required the Secretary to redeem the notes issued by its authority in gold or silver, and expressly declared it to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present ratio or upon such ratio as may be provided by law."

Greenback Circulation.

Before we entered upon this enormous issue of paper money, based on silver value, we already had in circulation over 346 million dollars of United States notes, known as greenbacks, and the Government was pledged to redeem them in coin on presentation, and to do so the Secretary was authorized by the redemption act to issue and sell Government bonds. By other legislation in 1882 he was required to keep in the treasury a reserve fund of one hundred million dollars in gold with which to redeem them.

Adding the greenbacks to the 575 millions of silver currency, we had in 1893 over 921 millions of paper, which the government was, by its laws, pledged to keep on a parity with gold. The gold reserve required for that purpose was only 100 million dollars; and even that insufficient amount has not been maintained, although 170 million dollars of gold have been recently purchased and deposited in the treasury.

The promise of the government, already bankrupt in its treasury, to redeem 921 million dollars of paper, commercially worth 50 cents on the dollar, with the paltry sum of 100 millions, was not accepted as a sufficient guaranty of redemption by the commercial world nor by our own citizens.

In January, 1889, just before the public conscience had been aroused to the danger, the net gold in the treasury was over 194 million dollars. In January, 1890, it was 177 millions. In 1891

it was 141 millions. In 1892 it was 119 millions. In 1893 it was 108 millions. In January, 1894, it was 65 millions. In July, 1894, it was 55 millions, although 52 millions had been already borrowed and added to the fund.

These few facts best illustrate the extent of distrust and the consequent downfall of the nation's credit. And strange it is, that the excess of our exports over imports of merchandise in 1890 was 68 million dollars. In 1891 it was near 40 millions. In 1892 it was near 203 millions, and in 1894 it was 227 millions. The only adverse balance was 18 millions in 1893.

It thus appears that while exporting an excess of 520 millions of products, for which, in the normal conditions of trade, that amount of gold should have been returned to us, we really exported over 200 millions of gold.

McKinley Tariff Act.

To arrest this downward progress, the McKinley tariff act of 1890 was passed by the Republicans. The treasury was then already reaching a condition of bankruptcy, and between November, 1890, when the act took effect, and June, 1891, the duties fell off 10 millions, and the next year they fell off 52 millions. The disability pension act of the same year increased the burdens of the treasury from 106 millions in 1890 to 118 millions in 1891, to 141 millions in 1892, and to 158 millions in 1893.

It became painfully evident in 1894 that the tariff law of 1890, as a revenue measure, was a failure. Too many articles had been placed on the free list, and too many of those taxed were taxed to the point of absolute exclusion. In placing sugar on the free list over 50 millions of revenue were taken from the treasury, with no perceptible benefit to the consumer. The payment of sugar bounties to the home producer was obnoxious to the public sense of justice and equality, while it deprived the treasury of 10 or 12 million dollars annually at the moment of its greatest distress.

To remedy these conditions, the House of Representatives, in 1894, adopted the Wilson tariff bill with great enthusiasm, and sent it to the Senate. If this bill had been accepted by the Senate, the ruin of the treasury would have been complete. Fortunately another and altogether different measure became the

law—an act which 25 years ago would have been denominated a high protective tariff law. It is perhaps fortunate, after all, that political parties can change their principles without change of name.

An Era of Prosperity.

Now that the wild delirium has passed and the country is entering upon an era of prosperity, we stand amazed at our own credulity and ignorance. Two years ago factories were closed, railroads were losing money, labor was without employment, money could not be borrowed whatever the collateral or amount of interest offered, farmers were depressed, labor strikes had put on the garb of open rebellion against the government, and the future seemed to be almost without hope.

We stopped coining depreciated silver, and behold the change! We have not one dollar more of circulation than we had when the Sherman act was repealed. No furnaces or factories are now idle. The demand for their products is equal to their capacity to produce. The wages of employees have been increased without their asking. Cotton has advanced over 50 per cent., and wheat and other agricultural products have begun their upward course. The banks have abundant money, and every legitimate business has guaranty of encouragement and success. Two years ago the faces of business men wore the gloom of despair. They now wear the smiles of joy and hope.

If the advocates of free silver had openly proclaimed their real motives, their crusade would have been without success. So long as silver was commercially equal to gold, at the legal ratio of value, the mine-owners felt no concern about the scarcity of redemption money. They sold their bullion for gold, and left the poor suffering community to transact business on their limited circulation of gold and paper. From 1792 to 1873, the long period of 80 years, with the constant privilege of free coinage guaranteed to them, their tender concern for the suffering public had induced them to coin only 8 million dollars from their bullion.

Scheme of the Bullion Holders.

In 1878 silver, on account of its enormous production, had so declined in value that the silver dollar of 412½ grains was worth

only 88 cents. If the mine-owners could sell their 88 cents for a dollar to the American public, the profit would be about 14 per cent. Now, for the first time, we discover their deep concern for a suffering world. Their solicitude naturally intensified as silver declined, and, finally, when it fell to 60 cents an ounce, and the world had rejected it from its coinage and assigned it to the list of merchantable commodities, the sale of the American output at $1.2929 per ounce (its free-coinage value) meant to the holders of bullion a clear profit of between 35 and 40 million dollars per annum.

Six new states were finally admitted into the Union, giving 12 new senators, representing less population than resides in the single city of New York. With this disproportionate representation, the campaign was pressed with a zeal fully commensurate with the stake to be gained. From 1861 to 1871 the annual production of silver had been about 12 million dollars. From 1871 to 1887 the production reached an average of 45 million dollars per year.

In 1888, in coinage value, it was 59 millions;
In 1889 it was 65 millions;
In 1890 it was 70 millions;
In 1891 it was 75 millions;
In 1892 it was 82 millions,
And in 1893 it was 78 millions.

The world's entire production of silver in 1873 was only 81 million dollars. In 1892 it was over 196 million dollars,—an increase in 20 years of 140 per cent.

In the meantime commercial nations, one by one, had abandoned its coinage. Germany abandoned it in 1871; Norway, Sweden, and Denmark in 1873–5; Holland in 1875; France and the other states of the Latin Union in the same year; Russia in 1876, and Austria and Hungary in 1879. England, as already stated, had demonetized silver in 1816, and thereby had long since become the richest nation of the world.

About Intrinsic Value.

It began finally to dawn upon even the most obtuse intellect that gold and silver were originally coined as money because of their intrinsic value, and not for the purpose of giving them

value. A little further reflection was rewarded by the knowledge that the ratios of coinage were really nothing but the ratios of commercial value; and that, after all, in this age of mining enterprise and commercial activity, no two metals can long retain the same relative values.' If this be true, then it follows that the coinage of silver at prices beyond its intrinsic value is not only a gratuitous bounty to the mine-owners, at the expense of the farmers and other producers, but a deterioration of the currency—a poisoning of the life-blood of commerce and trade.

Then came the strong appeal to cupidity and selfish interests. The farmers were told by the holders of silver bullion that the act of 1873 dropping the silver dollar from coinage had caused the decline in the prices of cotton, wheat, and other products of the soil; and the discontent of laborers was stimulated by the hope that the mere abundance of money, regardless of its value, meant greater facility of acquisition.

Now that the silver insanity is passing away, and the actual and sensible presence of prosperity is felt in our midst, we ought to be permitted dispassionately to expose these falsehoods.

Decline in Price of Cotton.

It is true that cotton had declined. But to account for that decline, no new theory of prices is necessary. The same old and familiar law of supply and demand will solve every doubt.

The cotton crop of the United States in 1870 was 3 million bales. Since 1882 it has ranged from 7 to 10 million bales. In 1860 Egypt produced one hundred thousand bales. It is now a dependency of Great Britain, and, with quickened industries, produces about 600 thousand bales. In 1860 India produced 800 thousand bales. It now produces nearly 2 millions. South America, China, and Australia have entered the field with limited production. Formerly the United States furnished two-thirds of all the cotton manufactured in the world. The increased growth in other countries largely added to the supply; while improved machinery, skilled labor, and sharp competition increased and cheapened the manufactured goods. In addition to this, the deranged condition of our finances forced upon the people the most economical consumption of goods. These and other causes are sufficient to account for the low price of cotton.

But what now becomes of the argument that the continued coinage of silver was necessary to sustain its price? Cotton is now nearly 3 cents a pound higher than it was one year ago.

The Fall in the Price of Wheat.

The general decline in wheat will find its explanation in the same unvarying law. The production of wheat in the United States in 1871 was 230 million bushels. From that time until 1878 the average production did not exceed 300 million bushels per year. In 1878 it ran up to 420 million bushels. The increase since has been quite uniform except in bad crop years. In 1891 the production reached the enormous amount of 611 million bushels.

In the last 20 years a vast section of country, once regarded as a desert, has been subjected to the cultivation of spring wheat. The winters furnish the necessary snow and ice, and the earth becomes frozen to the depth of two or three feet. When the first warmth of spring comes, the thawed surface of a few inches is plowed and drilled in wheat. As summer advances, the necessary moisture is furnished by the increasing heat; and, whether it rains or not, when August comes the harvest invariably finds a product of 20 to 25 bushels to the acre.

The sickle, and the cradle, and scythe had to be abandoned. The reaper came, and then the self-binder, and the steam-thresher and cleaner. Russia, and India, and Hungary, and the Argentine Republic, and Chile imported our agricultural machinery, and soon the borders of the Black Sea, the steppes of the Himalaya Mountains, and the boundless plains of Patagonia were covered with grain. The world's product has now reached 2,500 million bushels. The supply exceeds the demand, and, until conditions are reversed, wheat may continue to be low. For value, it depends on the foreign market, and no amount of cheap silver at home can increase the price. Cheap silver or depreciated paper currency may, and will, derange business, by driving out good money and forcing consumers of flour to economize in its use, thus decreasing the demand. It never will produce any other effect.

In examining the question of prices, I find many facts which, at first, seemed to be remarkable. The number of horses, for

instance, in the United States in 1891 was 15 million, valued at 1,007 million dollars. In 1895 we had nearly a million more horses than in 1891, valued at only 577 million dollars. The decline in value simply followed the decline in demand. At the former period the city railways of the country were operated by horses. Steam and electricity are now substituted. The bicycle is taking the place of the city cab; and soon the horseless carriage will give rest to other millions of these patient animals.

During the same period an equal number of milch cows in the United States increased in value from 346 to 363 million dollars. If silver rules the prices of other commodities, as claimed by its advocates, why the inequality of effect in these cases?

Debtor and Creditor Classes.

Pardon me if I refer to one other appeal so cunningly addressed to the prejudices of the West. The East was pictured as happy and free of debt, living in luxury on interest due by the West. Is it true, in the first place, that the East is without debt? Statistics are always better than mere assertion in the ascertainment of truth.

The census of 1890 shows that the North Atlantic States, comprising Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania, owed a total public indebtedness, including state, county, and municipal obligations, of 468 million dollars, equal to $26.89 *per capita.*

The same census shows that the great Western States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Iowa, Missouri, North and South Dakota, Nebraska, and Kansas owed only 320 million dollars, or $14.32 *per capita*, a mere trifle over half the *per capita* burden of the Eastern States.

If we take Kentucky, Tennessee, Alabama, Mississippi, Louisiana, Texas, Arkansas, and Oklahoma, the total indebtedness is 138 million dollars, equal only to $12.60 per capita, *less* than half that of the Eastern States.

But, aside from public indebtedness, what is the condition of individual obligations? We shall find that nearly one-half of all the real estate mortgages in the United States are executed on lands in New York, Pennsylvania, Massachusetts, New Jersey,

Maryland, Connecticut, and the District of Columbia. It therefore appears that these six Eastern States and the little District of Columbia are burdened with a mortgage debt nearly equal to all the remaining states and territories of the Union, embracing the whole south from Virginia to Texas and the whole west from the Ohio river to the Pacific Ocean.

In the second place, if the East be the creditor section as claimed, and if the theory of silver advocates be true, that inflation decreases the burden of payment, then all legislation, for 18 years past, has favored the West at the expense of the East. Statistics show that the *per capita* circulation of money in 1878 was $15.32. In 1888 it was $22.52, and in 1894 $24.33.

For a Single Standard of Value.

Fellow-citizens, I must close; and yet many things intimately connected with this subject remain untouched. What I have said is simply suggestive, and each one of you must pursue further investigation for himself. The facts I have given you are correctly taken from the laws of Congress and the authorized documents of the government. If I am wrong in these things, your political history is false.

I am for a single standard of value. None other is possible; and, if possible, none other is expedient, economical, or wise. All civilized nations have now taken gold as that standard; and, whether they had done so or not, it is clearly our duty to accept the lessons of our own experience. A double standard is as impossible as a double yard-stick, a double pound, or a double bushel measure.

The advocates of silver coinage on a basis of 16 to 1 claim to be bimetallists. If I have demonstrated anything at all in these remarks, I have shown that bimetallism, based on ratios of unequal commercial value, is an utter impossibility. Reason and common sense, aside from the experience of the world, must make this proposition plain to the dullest intellect. If we give silver the stamp of double its intrinsic value, is it possible that any one will then take gold to the mint to be coined? If he takes the gold bullion to be coined, he receives in coin one dollar. If he sells the gold bullion, he can buy silver bullion enough to make two dollars. Will he not send away the gold and purchase

and coin the silver? The advocates of silver seem to put aside all those considerations of self-interest which, for wise purposes, at last, have always governed, and must ever govern, this world. The relation of gold and silver to each other is, in no manner, different from the relations existing between any other two commodities. If one of you farmers have a horse, intrinsically worth two hundred dollars, and you offer him in the market for one hundred dollars, the horse will immediately find a wiser owner, and you will have lost half its market value. So if this nation, by its coinage laws, gives only half value to gold, the wiser and better-governed nations of the world will soon have our gold; and half the intrinsic value of that gold will measure the extent of our loss, as it equally measures the stupidity of our statesmanship. If, on the contrary, one of you have a horse commercially worth one hundred dollars, and you fix its value at two hundred dollars, that horse will likely remain with you. Nobody wants the animal at your unreasonable figures; and if all of you should pursue the same policy, you would soon find the country full of worthless horses, while the better animals will have passed into the hands of more discreet, thrifty, and sensible people.

It is therefore perfectly certain that the free coinage of silver, on any ratio less than that of commercial value, will sooner or later stop the coinage and use of gold as a medium of exchange. The greater the disparity of legal ratio adopted the sooner, of course, will be the demonetization of gold. At the proposed ratio of 16 to 1, which would now place in the silver dollar not exceeding 53 cents as compared with gold, the disuse of gold would be instantaneous. The first effect, therefore, of free coinage would be the total abandonment of six or seven hundred million dollars of gold as a part of our currency, and the immediate establishment of a single standard of silver. Instead of bimetallism as claimed, it would result in monometallism in its very worst form. The sole money of redemption would be then commercially worth 53 cents to the dollar. The silver dollar would become with us, therefore, the standard of value. And that standard would be in constant fluctuation and change. Its value could no more be relied on, from day to day, than could the value of local bank notes in the days of their most reckless and unlimited issues. The effect of those paper issues on the

country I have already shown. The ultimate effect of depreciated silver issues would, if possible, be still worse. The paper issues were never a legal tender, and their acceptance was a matter of choice. They carried also a promise of redemption in gold. In the case of free coinage there would be no pledge of redemption either by the government or by the holder of the bullion. The depreciated coins, changing in value every day, would become the sole money of redemption, measuring the value of all property and of all other forms of currency as well.

Our foreign commercial relations are almost wholly connected with the civilized and enlightened nations of Europe. They, for abundant reasons of economy, profit, and convenience to themselves, have all adopted the gold standard of value in their currency systems. Our trade with them would necessarily be subjected to numerous inconveniences and extortionate exchanges which would add to their coffers at the expense of both our government and our people.

The advocates of free coinage insist that we need more redemption or standard money in circulation. In answer to that argument it can be truthfully said that the more depreciated silver we issue the less of circulating money we shall have. Let your own observation answer the argument. We have in the country about 625 million dollars of gold coin, and yet it does not appear as a currency. The reason is that the less valuable currency answers all the demands of present business, and gold, the better currency, will not circulate so long as the depreciated currency can be forced by legal-tender statutes into the channels of trade. There is no other reason for the disappearance of gold from circulation. If silver were made wholly subsidiary and stripped of its full legal-tender character, gold would be paid out over the counters of the banks as it is in England, France, and Germany. It would then become the currency of the people. Silver would not cease to be used. On the contrary, it would be willingly accepted, as nickels and coppers are now received, without protest, and indeed for sums largely above the limit that might be fixed by legal-tender laws.

It is argued that redemption money must equal in amount the total debts of the nation, public and private. If such were the fact both the currency and the debts would be utterly worthless.

The public debt of Great Britain and France alone is largely more than the total circulating medium of the world. The fixed railroad indebtedness of the United States is twice as much as all our circulating medium, including gold, silver, and paper. Such an argument is no more reasonable than that the merchant must have a separate yard-stick for every yard of goods in his store, or that the grocer must have a separate pound weight for every pound of sugar he sells. Such might be, and would be, the case if the pound weight and the yard-stick changed from day to day, but so long as they remain fixed and permanent, one weight and one measure will do.

It will be said that a gold standard means a scarcity of money. The contrary is always true. A gold standard gives confidence in property values. It utilizes all land and all personal property as a basis of credit. If you owe a debt and have property, equal or superior to that debt in value, you can use the property to secure a credit in bank. You need no actual money. The property furnishes the credit. Your check is honored, and not a dollar of actual cash is used. The 60 clearing-house cities in the United States pay annually through their banks sixty-one thousand million dollars of debt by mere exchange of checks. Confidence is better than money. Confidence, however, is the offspring of a sound and stable currency, and cannot live without it. Hence in panics the amount of circulation counts for nothing.

The *per capita* circulation in England is $20.44; ours is over $24. Money seems to be more abundant in England because the *per capita* of gold is $14 and of silver less than three, while we have $9.81 of gold and an equal amount of silver, and the balance is in paper rising no higher than the depreciated silver itself. This destroys stability and, with it, confidence.

It will be said that a gold standard means high rates of interest. The contrary is absolutely and invariably true. Money in England loans at from 2 to 3 per cent., and it loans here from 6 to 8 per cent. In every gold-standard country on earth interest is lower than in the United States.

History and your own experience prove that the years of our greatest prosperity were under a gold standard. I have already referred to the happy results of its adoption in 1853. The re-

sumption act took effect on January 1, 1879, and from that time until 1883 we enjoyed unbounded prosperity. In 1884 the coinage of silver dollars under the Bland act of 1878 had already begun to poison the currency, and from that time until 1893 every additional silver dollar coined caused the loss of thousands in both business and property.

I do not object to the coinage of subsidiary silver. Make it a tender for five or ten dollars, and then coin it until the demands of business are satisfied. If you insist on giving it the properties of legal tender, then you must coin it upon its intrinsic value at the ratio of 30 to 1 of gold. I am in favor of the copper cent and the nickel. They serve as tokens of value and are necessary in small transactions. But both they and subsidiary silver should be redeemed by the government in gold whenever demanded in fixed and sufficient quantities.

It is urged by some that gold should be for the rich, and silver for the poor. I repudiate any such distinctions. The government should protect rich and poor alike. And any government that will coin money of full value for the rich, and money worth fifty cents to the dollar for the poor, does not deserve the respect or allegiance of either rich or poor. If our laws are equal and just, the possibility of riches, in this country, is vouchsafed to the poorest.

International Coinage Agreements.

For the same reasons which constrain me to favor a single gold standard, I am unalterably opposed to making any coinage compacts or agreements with other nations. Such agreements cannot possibly benefit us, while they would authorize and invite those nations to impose their depreciated coins on us. France tried that experiment with Italy, Greece, Switzerland, and Belgium. As silver declined, the depreciated coins of the smaller nations went to France for her valuable products, and had to be received under her agreement until self-preservation demanded the dissolution of the compact.

Such agreements, to be acceptable, must carry the stipulation that each nation may coin money on a fixed ratio, and that we must receive the coins of the contracting parties at par, whatever their commercial value may be. The result would be that when-

ever the bullion value of silver should be greater than its coinage value, at the ratio agreed on, there would be no coinage by any of the contracting nations, and all the anticipations of increased circulation would be disappointed. If by coining silver its stamped value should be greater than in bullion, the exporters of the United States would be forced to accept for their products the depreciated silver of other nations. For such entangling and absurd compacts there has never been a logical reason, nor even excuse.

The fertility of our soil, the variety of our climate and products, the energy and industry and inventive genius of our people, combined with all the possible gifts of natural wealth, must make this the greatest exporting nation of the world. Why then shall we make international agreements by which other nations may pay our farmers for their cotton, wheat, corn, beef, and pork, and our manufacturers for the products of their labor and skill, with depreciated silver? Such a consummation, in my judgment, would be the very lunacy of statesmanship. Such an idea seems to me the mere dream of distempered brains.

Where Responsibility Rests.

Fellow-citizens, much of this responsibility is upon you. If a man dares to express the convictions of his intellect, he is expelled from his party. The highest wisdom of a platform now consists in the cunning of concealment. Party platforms to-day are more abstruse than the answers of the ancient oracles; and politicians doubtless smile on meeting as did the soothsayers of Rome in Cato's time.

Take the last national platform of my Republican friends. It says: "The Republican party demands the use of both gold and silver as standard money, with such restrictions and under such provisions, to be determined by legislation, as will secure the parity of values of the two metals, so that the purchasing and debt paying power of the dollar, whether of gold, silver, or paper, shall be at all times equal." Parity of value means equality of intrinsic worth or else the pledge and ability to redeem, on demand, in commercial values.

If possible, the Democratic platform is still more enigmatical. It says: "We hold to the use of both gold and silver as the

standard money of the country, and to the coinage of both gold and silver without discriminating against either metal or charge for mintage; but the dollar unit of coinage of both metals must be of equal intrinsic and exchangeable value." This language is beyond human comprehension. A silver dollar was at that time intrinsically worth only 65 cents. The resolution first demands free coinage, without discrimination, and even without charge for mintage. It then demands that the coins of both metals when made, one worth 65 cents, the other worth a dollar, shall be "of equal *intrinsic* and exchangeable value." Advanced intelligence now smiles at the impotent bull of the Pope against the approaching comet, but the Pope's proclamation, after all, was quite as sensible as the party platforms of 1892. Congressional acts may declare *legal* values, but intrinsic or commercial values will remain as deaf to these proclamations as did the comet.

No wonder that difficulties arose between the President and his friends when the necessity of interpretation came. Equal troubles, I fear, would have confronted the other side in case of success.

I am in no way responsible for Mr. Cleveland's election, but in his attitude on the money question, I endorse him with all my heart. In spite of obloquy he stands unmoved; in spite of calumny he discharges his duty. His party does not now recognize his worth, but when this strange spell of sorcery shall have passed away, impartial history will probably compel them to give him equal place by the side of Jefferson and Jackson.